

Canada. As act to amend the income war tax act
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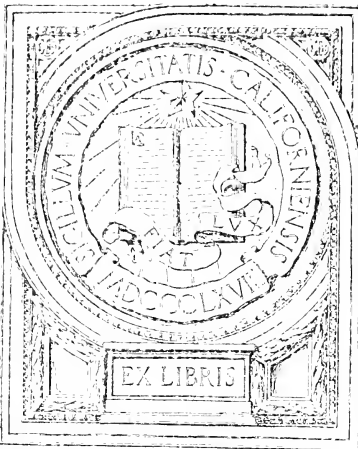
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CHAP 55.

An Act to amend The Income War Tax Act, 1917.

[Assented to 7th July, 1919.]

HIS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1917, c. 28;
1918, c. 25.

1. (1) Paragraph (c) of section two of *The Income War Tax Act, 1917*, chapter twenty-eight of the statutes of 1917, is repealed, and the following is substituted therefor:—

“(c) ‘normal tax’ means the tax authorized by paragraph (a) of subsection one of section four of this Act.”

Definitions.
“Normal
tax.”

(2) Paragraph (e) of section two of the said Act, as enacted by chapter twenty-five of the statutes of 1918, is repealed, and the following is substituted therefor:—

“(e) ‘surtax’ means the taxes authorized by paragraph (b) of subsection one of section four of this Act.”

“Surtax.”

(3) Paragraph (h) of section two, as enacted by the said statute of 1918, is repealed.

(4) The following paragraphs are added to section two:—

“(j) ‘Persons employed in Canada’ means all persons who receive, directly or indirectly, salary, wages, commissions, fees or other remuneration derived from sources within Canada for personal services, any part of which is performed in Canada.

“Persons
employed in
Canada.”

“(k) ‘Commissioner of Taxation’ means the officer appointed by the Governor in Council pursuant to the provisions of this Act, having such powers and performing such duties as are assigned to him by the Governor in Council or by the Minister under the provisions of this Act.”

“Commis-
sioner of
taxation.”

2. (1) Subsection one of section three of the said Act is amended by inserting after the word “be” in the ninth line thereof the words “whether derived from sources within Canada or elsewhere” and after the word “contract” in the twenty-second line thereof the following: “and including the salaries, indemnities or other remuneration”

Income.

neration of members of the Senate and House of Commons of Canada and officers thereof, members of Provincial Legislative Councils and Assemblies and Municipal Councils, Commissions or Boards of Management, any Judge of any Dominion or Provincial Court appointed ~~after the passing of this Act~~, and of all persons whatsoever whether the said salaries, indemnities or other remuneration are paid out of the revenues of His Majesty in respect of His Government of Canada, or of any province thereof, or by any person, except as provided in section five of this Act."

(2) Paragraph (a) of subsection one of section three of the said Act; paragraph (b) of the said subsection one as enacted by section two of the said statute of 1918, and paragraph (d) of the said subsection one, as amended by section two of the said statute of 1918, are repealed, and the following paragraphs are enacted in lieu thereof:—

Allowance for depreciation and for exhaustion of mines, gas and oil wells, and timber limits.

"(a) such reasonable amount as the Minister, in his discretion, may allow for depreciation, and the Minister in determining the income derived from mining and from oil and gas wells and timber limits shall make such an allowance for the exhaustion of the mines, wells and timber limits as he may deem just and fair;

Exemption in respect of children.

"(b) for the purposes of the normal tax only, two hundred dollars for each child under eighteen years of age who is dependent upon the taxpayer for support;

Dividends from corporations liable to tax.

"(d) dividends received by or credited to shareholders of a corporation which is liable to taxation under the provisions of this Act shall not be liable to the normal tax in the hands of the shareholders, but shall be liable to the supertax and surtax provisions of this Act or any amendment thereto. The amount of the exemption from the normal tax to the shareholder shall not exceed the net amount of such dividends after the deduction of the interest or carrying charges, if any, in respect of such dividends;

Personal and living expenses.

"(e) in determining the income no deduction shall be allowed in respect of personal and living expenses, and in cases in which personal and living expenses form part of the profit, gain or remuneration of the taxpayer, the same shall be assessed as income for the purposes of this Act;

Losses.

"(f) deficits or losses sustained in transactions entered into for profit but not connected with the chief business, trade, profession or occupation of the taxpayer shall not be deducted from income derived from the chief business, trade, profession or occupation of the taxpayer in determining his taxable income."

(3) Subsection four of section three of the said Act is repealed, and the following is substituted therefor:—

"(4) The share of a taxpayer in the undivided or undistributed gains and profits of a corporation shall not be deemed to be taxable income of the taxpayer, unless the Minister is of opinion that the accumulation of such undivided and undistributed gains and profits is made for the purpose of evading the tax, and is in excess of what is reasonably required for the purposes of the business."

Undistributed
profits of
corporations

(4) Section three of the said Act is amended by adding thereto the following subsections:—

"(5) Dividends or shareholders' bonuses paid or credited to its shareholders by a corporation on or after the first day of January, one thousand nine hundred and seventeen, shall be taxable as income of the shareholder in the year in which the same are received or credited unless paid exclusively out of a surplus or accumulated profits on hand prior to the first day of January, one thousand nine hundred and seventeen. No dividend or shareholder's bonus shall be deemed to be paid or credited out of surplus or accumulated profits on hand prior to the first day of January, one thousand nine hundred and seventeen, if the earnings of the corporation since the beginning of the accounting period which ended in the year one thousand nine hundred and seventeen are sufficient to provide for the said dividend and other taxable dividends paid or credited since the said date.

Dividends
and share-
holders'
bonuses.

"(6) Income of a beneficiary of an estate shall be deemed to include the amount accruing during each taxation year to which he, his heirs or assigns are entitled from the income of the estate whether distributed or not.

Income from
an estate.

"(7) Any part of the remuneration of a taxpayer retained by his employer in connection with an employee's superannuation or pension fund or plan shall be allowed as an exemption or deduction from the income of the taxpayer for income tax purposes, and any payment to an employee out of such fund or plan shall be included as taxable income of the employee."

Money
retained by
employer for
pension, etc.

3. (1) Subsections one and two of section four of the said Act, as enacted by section three of the said statute of 1918, are repealed and the following are substituted therefor:—

"**4.** (1) There shall be assessed, levied and paid upon the income during the preceding year of every person residing in Canada for six months or more of such year or who having been resident in Canada has left Canada with the intention of resuming residence in Canada or who is employed in Canada or is carrying on any business in Canada, except corporations and joint stock companies, the following taxes:

Tax.

(a) Four per centum

Normal tax.

upon all income exceeding one thousand dollars but not exceeding six thousand dollars in the case of unmarried persons and widows or widowers without dependent children,

children, and persons who are not supporting dependent brothers or sisters under the age of eighteen years, or a dependent parent or parents, grandparent or grandparents, and exceeding two thousand dollars but not exceeding six thousand dollars in the case of all other persons, and

Eight per centum

upon all income exceeding six thousand dollars.

And in addition thereto the following surtax:

SURAX.

“(b) One per centum upon the amount by which the income exceeds five thousand dollars and does not exceed six thousand dollars;

Two per centum upon the amount by which the income exceeds six thousand dollars and does not exceed eight thousand dollars;

Three per centum upon the amount by which the income exceeds eight thousand dollars and does not exceed ten thousand dollars;

Four per centum upon the amount by which the income exceeds ten thousand dollars and does not exceed twelve thousand dollars;

Five per centum upon the amount by which the income exceeds twelve thousand dollars and does not exceed fourteen thousand dollars;

Six per centum upon the amount by which the income exceeds fourteen thousand dollars and does not exceed sixteen thousand dollars;

Seven per centum upon the amount by which the income exceeds sixteen thousand dollars and does not exceed eighteen thousand dollars;

Eight per centum upon the amount by which the income exceeds eighteen thousand dollars and does not exceed twenty thousand dollars;

Nine per centum upon the amount by which the income exceeds twenty thousand dollars and does not exceed twenty-two thousand dollars;

Ten per centum upon the amount by which the income exceeds twenty-two thousand dollars and does not exceed twenty-four thousand dollars;

Eleven per centum upon the amount by which the income exceeds twenty-four thousand dollars and does not exceed twenty-six thousand dollars;

Twelve per centum upon the amount by which the income exceeds twenty-six thousand dollars and does not exceed twenty-eight thousand dollars;

Thirteen per centum upon the amount by which the income exceeds twenty-eight thousand dollars and does not exceed thirty thousand dollars;

Fourteen per centum upon the amount by which the income exceeds thirty thousand dollars and does not exceed thirty-two thousand dollars;

Fifteen per centum upon the amount by which the income exceeds thirty-two thousand dollars and does not exceed thirty-four thousand dollars;

Sixteen per centum upon the amount by which the income exceeds thirty-four thousand dollars and does not exceed thirty-six thousand dollars;

Seventeen per centum upon the amount by which the income exceeds thirty-six thousand dollars and does not exceed thirty-eight thousand dollars;

Eighteen per centum upon the amount by which the income exceeds thirty-eight thousand dollars and does not exceed forty thousand dollars;

Nineteen per centum upon the amount by which the income exceeds forty thousand dollars and does not exceed forty-two thousand dollars;

Twenty per centum upon the amount by which the income exceeds forty-two thousand dollars and does not exceed forty-four thousand dollars;

Twenty-one per centum upon the amount by which the income exceeds forty-four thousand dollars and does not exceed forty-six thousand dollars;

Twenty-two per centum upon the amount by which the income exceeds forty-six thousand dollars and does not exceed forty-eight thousand dollars;

Twenty-three per centum upon the amount by which the income exceeds forty-eight thousand dollars and does not exceed fifty thousand dollars;

Twenty-four per centum upon the amount by which the income exceeds fifty thousand dollars and does not exceed fifty-two thousand dollars;

Twenty-five per centum upon the amount by which the income exceeds fifty-two thousand dollars and does not exceed fifty-four thousand dollars;

Twenty-six per centum upon the amount by which the income exceeds fifty-four thousand dollars and does not exceed fifty-six thousand dollars;

Twenty-seven per centum upon the amount by which the income exceeds fifty-six thousand dollars and does not exceed fifty-eight thousand dollars;

Twenty-eight per centum upon the amount by which the income exceeds fifty-eight thousand dollars and does not exceed sixty thousand dollars;

Twenty-nine per centum upon the amount by which the income exceeds sixty thousand dollars and does not exceed sixty-two thousand dollars;

Thirty per centum upon the amount by which the income exceeds sixty-two thousand dollars and does not exceed sixty-four thousand dollars;

Thirty-one per centum upon the amount by which the income exceeds sixty-four thousand dollars and does not exceed sixty-six thousand dollars;

Thirty-two per centum upon the amount by which the income exceeds sixty-six thousand dollars and does not exceed sixty-eight thousand dollars;

Thirty-three per centum upon the amount by which the income exceeds sixty-eight thousand dollars and does not exceed seventy thousand dollars;

Thirty-four per centum upon the amount by which the income exceeds seventy thousand dollars and does not exceed seventy-two thousand dollars;

Thirty-five per centum upon the amount by which the income exceeds seventy-two thousand dollars and does not exceed seventy-four thousand dollars;

Thirty-six per centum upon the amount by which the income exceeds seventy-four thousand dollars and does not exceed seventy-six thousand dollars;

Thirty-seven per centum upon the amount by which the income exceeds seventy-six thousand dollars and does not exceed seventy-eight thousand dollars;

Thirty-eight per centum upon the amount by which the income exceeds seventy-eight thousand dollars and does not exceed eighty thousand dollars;

Thirty-nine per centum upon the amount by which the income exceeds eighty thousand dollars and does not exceed eighty-two thousand dollars;

Forty per centum upon the amount by which the income exceeds eighty-two thousand dollars and does not exceed eighty-four thousand dollars;

Forty-one per centum upon the amount by which the income exceeds eighty-four thousand dollars and does not exceed eighty-six thousand dollars;

Forty-two per centum upon the amount by which the income exceeds eighty-six thousand dollars and does not exceed eighty-eight thousand dollars;

Forty-three per centum upon the amount by which the income exceeds eighty-eight thousand dollars and does not exceed ninety thousand dollars;

Forty-four per centum upon the amount by which the income exceeds ninety thousand dollars and does not exceed ninety-two thousand dollars;

Forty-five per centum upon the amount by which the income exceeds ninety-two thousand dollars and does not exceed ninety-four thousand dollars;

Forty-six per centum upon the amount by which the income exceeds ninety-four thousand dollars and does not exceed ninety-six thousand dollars;

Forty-seven per centum upon the amount by which the income exceeds ninety-six thousand dollars and does not exceed ninety-eight thousand dollars;

Forty-eight per centum upon the amount by which the income exceeds ninety-eight thousand dollars and does not exceed one hundred thousand dollars;

Fifty-two per centum upon the amount by which the income exceeds one hundred thousand dollars and does not exceed one hundred and fifty thousand dollars;

Fifty-six per centum upon the amount by which the income exceeds one hundred and fifty thousand dollars and does not exceed two hundred thousand dollars;

Sixty per centum upon the amount by which the income exceeds two hundred thousand dollars and does not exceed three hundred thousand dollars;

Sixty-three per centum upon the amount by which the income exceeds three hundred thousand dollars and does not exceed five hundred thousand dollars;

Sixty-four per centum upon the amount by which the income exceeds five hundred thousand dollars and does not exceed one million dollars;

Sixty-five per centum upon the amount by which the income exceeds one million dollars.

"(2) Corporations and joint stock companies, no matter how created or organized, shall pay ten per centum upon income exceeding two thousand dollars. Any corporation or joint stock company the fiscal year of which is not the calendar year, shall make a return and have the tax payable by it computed upon its income for its fiscal year ending with- Corporation tax.
in the calendar year for which the return is being made."

(2) Subsection three of section four of the said Act is repealed and the following is substituted therefor:—

"(3) Any persons carrying on business in partnership shall be liable for the income tax only in their individual capacity; provided, however, that a husband and wife carrying on business together shall not be deemed to be partners for any purpose under this Act. A member of a partnership or the proprietor of a business whose fiscal year is other than the calendar year shall make a return of his income from the business, for the fiscal period ending within the calendar year for which the return is being made, but his return of income derived from sources other than his business shall be made for the calendar year." Partnerships.

(3) Subsection five of section four of the said Act is repealed and the following is substituted therefor:—

"(5) Taxpayers shall be entitled to the following deductions from the amount that would otherwise be payable by them for taxes under the provisions of this Act:— Deductions allowed from tax.

"(a) the amount paid by such taxpayer for corresponding accounting periods under the provisions of Part I of *The Special War Revenue Act, 1915*, and any amendments thereto, or *The Business Profits War Tax Act, 1916*, and any amendments thereto: Payments under Part I Special War Revenue Act, 1915, Business Profits War Tax Act, 1916.
Provided, that in computing the taxable income here-
VOL. I—24½ 371 under

under the taxpayer shall not include any taxes paid under the said Acts in the expenses of his business, and the Minister shall have power to determine any questions that may arise in consequence of any difference in the several periods for which the taxes under the said Acts and under this Act, respectively, are payable, and the decision of the Minister shall be final and conclusive. In the case of a partnership, each partner shall be entitled to deduct such portion of the tax paid by the partnership under *The Business Profits War Tax Act, 1916*, and any amendments thereto, as may correspond to his interest in the income of the partnership: Provided that such deduction shall not affect the liability of the taxpayer to tax hereunder in respect of any income which does not form part of the profits assessed under *The Business Profits War Tax Act, 1916*, but such income shall be assessed for income tax purposes in the same manner as if it were the only income of the taxpayer.

Income tax paid in any other portion of Empire or in any foreign country.

“(b) The amount paid to Great Britain or any of its self-governing colonies or dependencies for income tax in respect of the income of the taxpayer derived from sources therein, and the amount paid to any foreign country for income tax in respect of the income of the taxpayer derived from sources therein, if, and only if, such foreign country in imposing such tax allows a similar credit to persons in receipt of income derived from sources within Canada: Provided, that such deduction shall not at any time exceed the amount of tax which would otherwise be payable under the provisions of section three of chapter twenty-five of the statutes of 1918, or of any amending Act, in respect of the said income derived from sources within Great Britain or any of its self-governing colonies or dependencies or any foreign country; and further provided, that the said deduction shall be allowed only if the taxpayer furnishes evidence satisfactory to the Minister showing the amount of tax paid and the particulars of income derived from sources within Great Britain or any of its self-governing colonies or dependencies or any foreign country.”

4. Section five of the said Act is amended by adding thereto the following paragraph:—

Income from pensions not liable to tax.

“(l) Income derived from any pension granted to any member of His Majesty's military, naval or air forces for any disability suffered by the pensioner while serving in any of His Majesty's forces during the war that began in August, one thousand nine hundred and fourteen, and the income derived from any pension granted to any dependent relative of any person who

was killed or suffered any disability while serving in the said forces in the said war."

5. (1) Subsection one of section seven of the said Act is repealed and the following is substituted therefor:—

"**7.** (1) Every person liable to taxation under this Act shall, on or before the thirtieth day of April in each year, without any notice or demand, and any person whether liable to taxation hereunder or not, upon receipt of a notice or demand in writing from the Commissioner of Taxation or any officer authorized to make such demand, deliver, to the Minister a return, in such form as the Minister may prescribe, of his total income during the last preceding year. In such return the taxpayer shall state an address in Canada to which all notices and other documents to be mailed or served under this Act may be mailed or sent."

Annual returns.

(2) Subsection three of section seven of the said Act is amended by striking out the words "liable to taxation hereunder" in the first line thereof.

(3) Subsection four of section seven of the said Act, as amended by chapter twenty-five of the statutes of 1918, is amended by striking out the words "any portion of which is liable to taxation under this Act" in the third line thereof, and substituting the words "in excess of such an amount as the Minister may prescribe" and also by striking out the words "twenty-eighth day of February" in the seventh line thereof and substituting therefor the words "thirty-first day of March."

(4) Section seven of the said Act is amended by adding thereto the following subsection:—

"(6) Every person required to make a return under subsection one of this section who fails to make a return within the time limited therefor shall be subject to a penalty of twenty-five per centum of the amount of the tax payable, and every other person who is required to make a return under the provisions of this section who fails to do so within the time limited therefor, will be subject to a penalty of ten dollars for each day during which the default continues, and all such penalties shall be assessed and collected from the person liable to make the return in the same manner in which taxes are assessed and collected."

Penalty for not making return.

6. Section eight of the said Act is amended by adding thereto the following subsection:—

"(4) If a taxpayer fails or refuses to keep adequate books or accounts for Income Tax purposes, the Minister may require the taxpayer to keep such records and accounts as he may prescribe."

Books of account must be kept.

Penalty section confined to enforcement of s. 8, special penalty having been provided to enforce provisions of s. 7 of Act.

Date of assessment and penalty changed.

7. Subsection one of section nine of the said Act is amended by striking out the words "two next preceding sections" in the second line thereof and substituting therefor the words "next preceding section."

8. (1) Subsection one of section ten of the said Act is repealed and the following is substituted therefor:—

"**10.** (1) The Minister shall, on or before the thirty-first day of October in each year, or on or before such other date as he may in any case or cases prescribe, determine the several amounts payable for the tax, and shall thereupon send by registered mail a notice of assessment, in such form as the Minister may prescribe, to each taxpayer, notifying him of the amount payable by him for the tax. The tax shall be paid within one month from the date of mailing of the notice of assessment. In default of payment within the said one month from the date of the mailing of the assessment notice, a penalty of five per centum of the amount of such tax shall be added thereto, and thereafter a further penalty of one per centum per month shall be added for each additional month or portion thereof during which the said tax and penalty remain unpaid."

(2) Section ten of the said Act is amended by adding thereto the following subsections:—

Refunds.

"(4) The Minister may refund any tax or penalty wrongfully or illegally assessed and collected, but no refund shall be allowed because of any alleged error in the assessment unless application therefor is made within twelve months of the date of the payment of the tax or penalty.

No bank charges for discount, etc., on cheques for income tax or penalty.

"(5) Any chartered bank of Canada shall receive for deposit, without any charge for discount or commission, any cheque made payable to the Receiver General of Canada in payment of tax or penalty imposed by this Act, whether drawn on the bank receiving the cheque or on any other chartered bank in Canada."

9. Section twenty-two of the said Act is repealed and the following is substituted therefor:—

Administration by Minister.

"**22.** The Minister shall have the administration of this Act and the control and management of the collection of the taxation levied hereby, and of all matters incident thereto, and of the officers and persons employed in that service. The Minister may make any regulations deemed necessary for carrying this Act into effect, and may thereby authorize the Commissioner of Taxation to exercise such of the powers conferred by this Act upon the Minister, as may, in the opinion of the Minister, be conveniently exercised by the Commissioner of Taxation."

Regulations.

Commissioner of Taxation to exercise authorized powers.

10. Subsections two and three of section one, subsection one of section three, and sections five and seven hereof, shall

shall be applicable to income tax returns and assessments of income for the year one thousand nine hundred and nineteen, and accounting periods ending in the year one thousand nine hundred and nineteen and subsequently; subsection four of section one, paragraph (b) of subsection one of section three of the said Act, as enacted by subsection two of section two hereof, subsection three of section three, and subsection one of section eight hereof shall be applicable to income tax returns and assessments of income for the year one thousand nine hundred and eighteen, and accounting periods ending in the year one thousand nine hundred and eighteen and subsequently; all other provisions of this Act shall, for the purpose of administration, be deemed and construed to have come into operation on and from the date upon which *The Income War Tax Act, 1917*, came into operation.

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